



HOUSING

AUTHORITY OF THE
CITY OF SANTA BARBARA

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May 18, 2011

Mr. Brian Bosse, Housing and Redevelopment Manager
Housing & Redevelopment Division
City of Santa Barbara
630 Garden St.
Santa Barbara, CA 93101

**RE: FUNDING REQUEST FOR ADDITIONAL CITY/RDA SUBSIDY FOR THE DEVELOPMENT OF
512 BATH STREET AS A 54 UNIT AFFORDABLE RENTAL HOUSING COMPLEX—BRADLEY
STUDIOS**

Dear Brian:

As discussed during our recent meeting, the Housing Authority is seeking additional RDA funding (i.e. local public subsidy) for the Bradley Studios development in order to successfully garner an allocation of tax credits from the California Tax Credit Allocation Committee. The Low Income Housing Tax Credit (LIHTC) program coupled with local affordable housing dollars is essentially the only vehicle available today for the development of affordable rental housing in the U.S. The 9% LIHTC program, to which we submitted two previous applications for Bradley, would provide approximately 80% of the project's construction costs. The remaining portion needs to be covered through other local public funding sources such as RDA Affordable Housing Set-Aside monies and/or federal HOME dollars that the City receives.

Last May, the Housing Authority requested, and subsequently received approval for a loan from the Redevelopment Agency in the amount of \$1,600,000 as an additional funding source for the development of Bradley Studios. While we expected this loan to be a sufficient amount of local public subsidy, it turns out that other projects in California competing for an allocation of tax credits are showing greater amounts of local public funding such that they are being deemed more competitive and are beating out our Bradley project. With higher "local" public subsidies, these other projects are able to request a lesser amount of tax credits which garners them a higher score in California's very competitive LIHTC awards process.

We have, thus, revised our development pro-forma for Bradley so that our third application for a reservation of tax credits, due by July 6, 2011, can have the competitive edge required for an award of 9% tax credits. To that end, the Housing Authority is requesting \$2 million in addition to the funds previously committed by the City/RDA.

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As you will recall, Bradley Studios is comprised 54 affordable housing units (53 studios and 1 two-bedroom manager's apartment) and is intended to serve a combination of low-income downtown workers and special needs/homeless persons. If successful in obtaining a reservation of tax credits, construction would be begin at the end of 2011 or early 2012 and be completed and ready for occupancy within 13 months of commencement of construction.

In order to fully quantify City/RDA subsidy for this project (inclusive of land costs), one would add the initial land purchase loan of \$4.8 million, the \$1.6 million approved in 2010 for construction and this additional request for \$2 million for a total of \$8.4 million (or \$155,555 per unit) in local City/RDA subsidy.

We thank you in advance for your consideration of this request and would greatly appreciate if this matter could be placed before the City Council/RDA in the next 30 days. Please contact me or Rob Fredericks if you have any questions about this request or require additional information.

Sincerely,

HOUSING AUTHORITY OF THE
CITY OF SANTA BARBARA

A handwritten signature in black ink, appearing to read "Robert G. Pearson", with a long horizontal flourish extending to the right.

ROBERT G. PEARSON
Executive Director / CEO

cc: Housing Authority Commission
R. Fredericks
S. Szymanski
B. Peirson
R. Maccianti